



SIERRA NORTHERN RAILWAY

229112
221 1st Street
Davis, CA 95616
Tel: 530-759-9827 x 501
Fax: 530-759-9872

April 4, 2011

Chief
Section of Administration
Surface Transportation Board
Washington, D.C. 20423

Re: Notice of Exemption by Sierra Northern Railway; FD 35490

Dear Sir or Madam:

The following are enclosed:

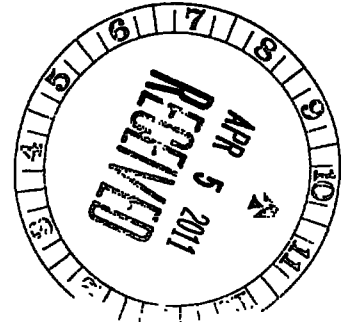
1. An original and 10 copies of the Notice of Exemption by Sierra Northern Railway;
2. A CD containing the Notice of Exemption in .pdf format.
3. A check in the amount of \$1,800 for the filing fee.

Please contact me if you have any questions regarding this filing. We have served the filing on the parties listed on the attached pages.

Thank you.

Sincerely,

Torgny Nilsson
General Counsel
Sierra Northern Railway



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Office of Proceedings

APR 5 - 2011

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Chief
Surface Transportation Board
April 4, 2011
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Secretary of the U.S. Dept. of Transportation
(Docket Clerk, Office of Chief Counsel)
Federal Railroad Administration, Room 5101
400 Seventh Street, S.W., Washington, D.C. 20590

Governor Jerry Brown
State Capitol Building
Sacramento, CA 95814

California Public Utilities Commission
770 "L" Street, Ste. 1050
Sacramento, CA 95814

California Department of Transportation
P.O. Box 942873
Sacramento, CA 94273-0001

United States Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

Federal Trade Commission
CRC-240
Washington, D.C. 20580

George Dondero
Santa Cruz Regional Transportation Commission
1523 Pacific Avenue
Santa Cruz, CA 95060

Eric M. Hocky
Thorp Reed & Armstrong, LLP
One Commerce Square
2005 Market Street, Suite 1000
Philadelphia, PA 19103-7041

Mack H. Schumate, Jr.
Law Department
Union Pacific Railroad Company
101 North Wacker Drive, Suite 1920
Chicago, Illinois 60606

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Kirk Trost
Miller, Owen & Trost
428 J St, Ste 400
Sacramento, CA 95814

FEE RECEIVED

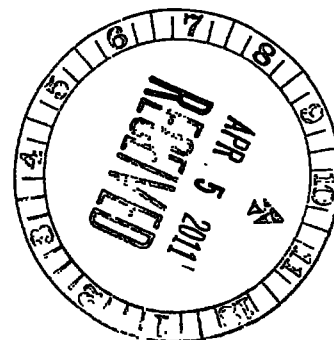
SURFACE TRANSPORTATION BOARD

APR 5 - 2011

TRANSPORTATION BOARD

NOTICE OF EXEMPTION

STB Finance Docket No. FD 35490



**SIERRA NORTHERN RAILWAY — ACQUISITION AND OPERATION EXEMPTION
— UNION PACIFIC RAILROAD COMPANY**

Sierra Northern Railway (“SERA”), a Class III rail carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart E—*Exempt Transactions Under 49 U.S.C. 10902*, to permit SERA to (1) acquire a freight operating easement over the Santa Cruz line from Union Pacific Railroad Company (“UPRR”) and (2) to operate the line pursuant to (a) that easement, and (b) an “Administration, Coordination, and License Agreement” (the “License Agreement”) between SERA and the Santa Cruz County Regional Transportation Commission (“SCCRTC”) (the purchaser from UPRR of the physical assets comprising the line) which License Agreement will govern SERA’s operations after the closing of the SCCRTC’s purchase of the physical assets of the line from UPRR. SERA understands that the SCCRTC will be separately filing, in Finance Docket No. 35491, a petition for a declaratory order seeking a determination that the SCCRTC will not become a common carrier by its acquisition of the physical assets of the line. SERA submits the following information in support of this Notice of Exemption as required under 49 C.F.R. § 1150.43:

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APR 5 - 2011

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**SURFACE
TRANSPORTATION BOARD**

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(a) Full name and address of applicant:

**Sierra Northern Railway
341 Industrial Way
Woodland, CA 95776
Telephone 530-666-9646
E-mail: davemagaw@gmail.com**

(b) Applicant's Representative: Please address correspondence to David Magaw, President, at the aforementioned address and telephone number.

(c) Statement of Agreement: Sierra understands that SCCRTC and UPRR have entered into a Purchase and Sale Agreement and Escrow Instructions under which UPRR will assign its retained freight operating easement to SERA at the close of UPRR's sale of the physical assets of the line to the SCCRTC. The License Agreement between SERA and the SCCRTC will govern SERA's operation of the line following such close.

(d) The operator of the property: SERA will be the operator of the rail line. SERA is currently the operator of the line pursuant to a lease with UPRR, which lease will remain in effect in part and be amended in part to account for UPRR's assignment of its freight operating easement to SERA, the SCCRTC's purchase of the physical assets of the line from UPRR, the License Agreement between SERA and the SCCRTC, and SERA's retained lease rights over the portion of the Santa Cruz branch that is not the subject of the freight operating easement and License Agreement. See Section (e)(3) below.

(e) Summary of proposed transaction:

(1) The name and address of the entity transferring the freight rail easement:

**Union Pacific Railroad Company
1400 Douglas Street, Mailstop 1350
Omaha, Nebraska 68179
Attn: Network and Industrial Development**

The name and address of the entity that will own the physical assets of the line after closing:

**Santa Cruz County Regional Transportation Commission
1523 Pacific Avenue
Santa Cruz, California 95060**

(2) Proposed time schedule for consummation of the transaction:

The transaction is expected to be consummated in April 2011, on or shortly after the effective date of this Notice, and after a determination that the SCCRTC will not become a carrier by acquiring the physical assets of the line.

(3) Subject property:

UPRR will assign to SERA a freight operating easement for that portion of the Santa Cruz Branch located between Milepost 0.433, the east boundary of Salinas Road, near Watsonville Jct., California to Milepost 31.39, near Davenport, California, including the interconnection with the Santa Cruz and Big Trees Railroad at MP 20.4 at Santa Cruz, California.

SERA will continue to operate that portion of the Santa Cruz Branch located between Milepost 31.39 and the end of the line at or near MP 31.90, both near Davenport, California, and to retain certain trackage rights over trackage in the Watsonville yard of Union Pacific Railroad Company ("UPRR") as necessary for interchange, pursuant to SERA's existing lease with UPRR (to be amended to cover only the trackage between MP 31.39 and the end of the line) and pursuant to SERA's existing interchange agreement with UPRR, both of which are referenced in FD No. 35331,

effective December 31, 2009. SERA will also enter into the License Agreement with the SCCRTC.

(4) The length of the subject rail line is approximately 31.0 miles, and has an additional 3.6 miles of sidings and spurs.

(f) Maps of the subject rail line are in Attachment 1.

(g) SERA hereby certifies that its revenues as a result of this transaction will not result in SERA becoming a Class II or Class I rail carrier. SERA also certifies that its projected annual revenue will not exceed \$5 million as a result of this transaction. Accordingly, the requirements of 49 C.F.R. § 1150.42(e) do not apply to this transaction.

(h) Neither the freight rail easement nor the License Agreement contains a provision or agreement that may limit future interchange with a third-party.

(i) A caption summary is attached as required by 49 C.F.R. § 1150.44.

(j) The proposed transaction does not require an historic report pursuant to 49 C.F.R. § 1150.8(b)(1).

(k) SERA is already operating the subject line, under its agreements with UPRR set forth in FD No. 35331, and the proposed transaction will not result in significant changes in carrier operations. Thus, pursuant to 49 C.F.R. § 1105.6(c)(2), environmental documentation is not required.

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(l) This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully Submitted,

A handwritten signature in black ink, reading "David Magaw", with a long, sweeping horizontal line extending to the right.

David Magaw, President
Sierra Northern Railway
341 Industrial Way
Woodland, CA 95776
Telephone 530-666-9646

Dated: April 4, 2011

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

STB Finance Docket No. FD 35490

**SIERRA NORTHERN RAILWAY — ACQUISITION AND OPERATION EXEMPTION
– UNION PACIFIC RAILROAD COMPANY**

Sierra Northern Railway (“SERA”), a Class III rail carrier, has filed a Notice of Exemption to (1) acquire from Union Pacific Railroad Company (“UPRR”) a freight operating easement over the portion of the Santa Cruz Branch line between Milepost 0.433, the east boundary of Salinas Road, near Watsonville Jct., California to Milepost 31.39, near Davenport, California, including the interconnection with the Santa Cruz and Big Trees Railroad at MP 20.4 at Santa Cruz, California, and various associated siding and spur trackage; and (2) to operate that same portion of the line pursuant to (a) an “Administration, Coordination, and License Agreement” (the “License Agreement”) between SERA and the Santa Cruz County Regional Transportation Commission (“SCCRTC”), the purchaser from UPRR of the physical assets comprising the line, after the closing of the SCCRTC’s purchase of the physical assets of the line from UPRR, and (b) SERA’s existing interchange agreement with UPRR. SERA will also operate the portion of the Santa Cruz Branch located between Milepost 31.39 and the end of the line at or near MP 31.90, both near Davenport, California, and retain certain trackage rights over trackage in the Watsonville yard of Union Pacific Railroad Company (“UPRR”) as necessary for interchange, pursuant to SERA’s existing lease with UPRR (as amended to cover only the trackage between MP 31.39 and the end of the line) and existing

interchange agreement with UPRR, both referenced in FD No. 35331, effective December 31, 2009.

Comments must be filed with the Board and served on David Magaw, President of Sierra Northern Railway, 341 Industrial Way, Woodland, California 95776.

This Notice is filed under 49 C.F.R. 1150.41. If the Notice contains false or misleading information, the exemption is void *ab initio*. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

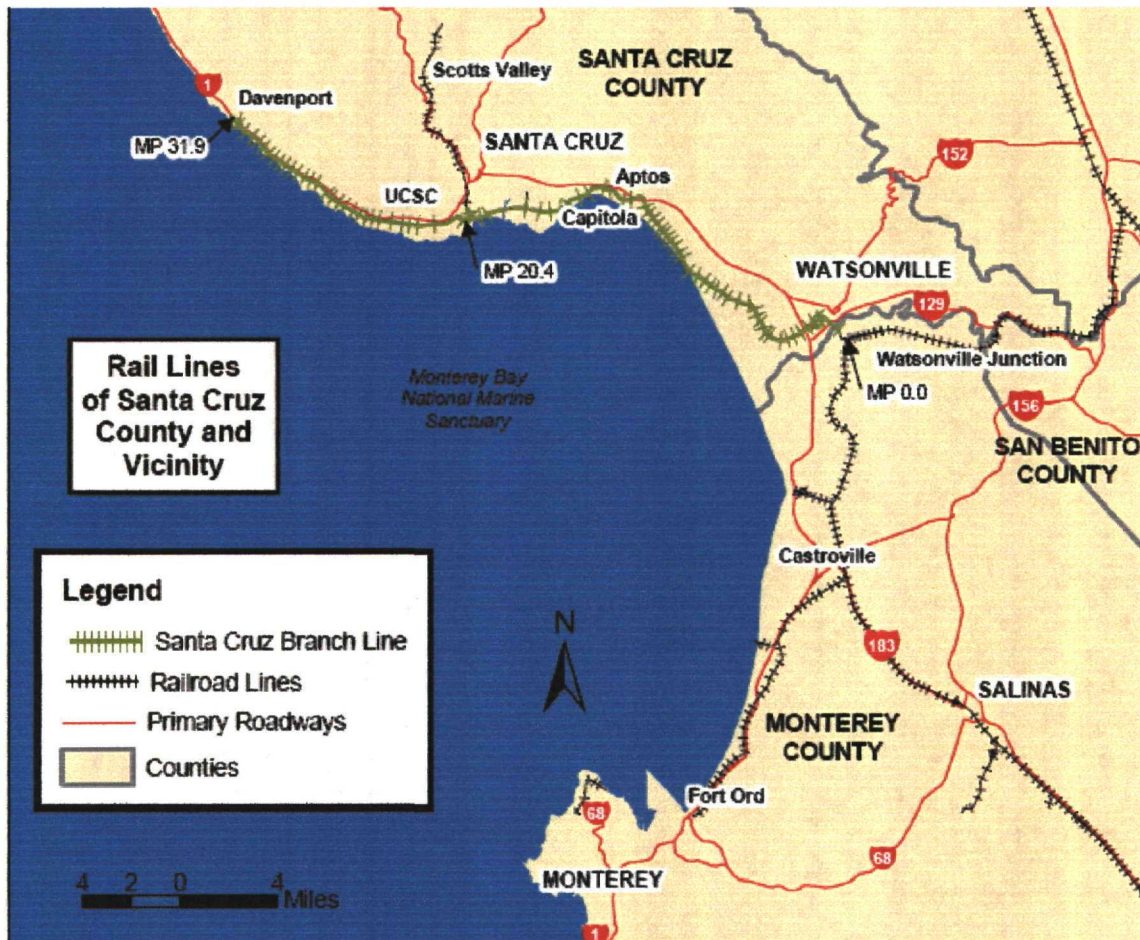
I, David Magaw, verify under penalty of perjury that I am the President of Sierra Northern Railway, that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption, and I know that its contents are true and correct to the best of my knowledge, information and belief.

Executed on April 4, 2011


David Magaw
President
Sierra Northern Railway

Map 1 Area

SIERRA NORTHERN RAILWAY — ACQUISITION AND OPERATION EXEMPTION
— UNION PACIFIC RAILROAD COMPANY



Map 2 Detail

SIERRA NORTHERN RAILWAY — ACQUISITION AND OPERATION EXEMPTION — UNION PACIFIC RAILROAD COMPANY

